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SUBJECT: AMBASSADOR SILVERBERG'S MEETING WITH EU ENERGY  
COMMISSIONER PIEBALGS

REF: A. A. BRUSSELS 952

[B. B. SOFIA 503](#)

[1](#)1. (SBU) Summary. In a July 28, 2008 meeting with Ambassador Silverberg, EU Energy Commissioner Andris Piebalgs laid out his goals and concerns for the coming months. On the environment, Piebalgs argued for the need for the US, the EU, and Japan to adopt a common position going into the Copenhagen negotiations. He acknowledged that China and India would have to be part of any agreement, but said he was not sure exactly what commitments they would be willing to make. On energy security, Piebalgs lamented that political problems are preventing a solution to open up the Southern Corridor for gas transit through Turkey. According to Piebalgs, Turkey has fallen back on demanding to keep a lift-off clause as a pre-condition for an agreement, which is a non-starter for Azerbaijan. Piebalgs thinks there is currently a power vacuum in Russia and he doesn't understand current Russian actions on TNK-BP, the oil cutoff to the Czech Republic, and the lack of Russian interest in pursuing South Stream, which Piebalgs categorized as dead. Speaking on energy efficiency, biofuels, and energy research, Piebalgs emphasized the need for greater cooperation between the U.S. and the EU. Looking ahead to autumn, Piebalgs indicated he would be devoting much of his time to the EU's Strategic Energy Review. The difficult question for him will be what the EU should announce, especially regarding the balance between member state competencies and EU competencies. End Summary.

[1](#)2. (SBU) In a July 28, 2008 meeting with Ambassador Silverberg, EU Energy Commissioner Andris Piebalgs laid out his goals and concerns on a range of subjects including the environment, energy security, energy efficiency, biofuels, energy research, and the Commission upcoming Strategic Energy Review.

Environment

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[1](#)3. (SBU) Piebalgs began by noting the good cooperation he has enjoyed in the past with USEU. He said the major issue coming up for him is the Environment Summit in Copenhagen. Piebalgs said his dream would be for the U.S., the EU, and Japan to agree to a common position on climate change, but he realizes this will be challenging. He emphasized that industry needs clear signals on climate change policy to make investment decisions. Asked about including the major developing nations (especially China and India) in a climate agreement, Piebalgs said he agreed that China and India must be part of any agreement, but is less clear what their

commitments under an agreement would be. While they would need to share the same goals, they might have different commitments than developed nations. He believes China will be willing to agree to targets for energy efficiency and sectoral goals, but he is not sure this will be enough. Japan has been working to try to involve China and India through the sectoral approach. At this point, it is not clear to him what the blueprint for Copenhagen will be. He does believe, however, the difficulties to overcome are mainly technical, not political.

#### Energy Security

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¶4. (SBU) Piebalgs sees the question of European energy security becoming more and more political. The biggest problem affecting the Southern Corridor strategy is the EU's inability to reach an agreement on transit. Piebalgs indicated that the EU team, which held discussions in Turkey on July 24, did not meet with success. Contrary to the positive outlook for a breakthrough noted Ref. A, Turkey insists on a lift-off clause as a pre-condition for an agreement. According to Piebalgs, this is a non-starter for Azerbaijan who doesn't want to see part of its exports siphoned off in Turkey at a lower price than it could get by exporting to Europe. Piebalgs stressed that Turkey could end up being bypassed and said it was a pity that Turkey doesn't realize this. Energy Minister Guler, unlike the MFA, does not seem to understand this risk. Piebalgs noted he is now waiting on the political developments regarding the AKP closure case, but whatever the results the EU will continue working towards a solution with Turkey.

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¶5. (SBU) Speaking candidly, Piebalgs said he believes the Russian South Stream project is nearly dead and seems to have been completely abandoned by the Russians. He indicated he does not understand why the Russians have stopped pursuing it. Piebalgs categorized the problems with Nord Stream, on the other hand, as lying within the EU, not with Russia. Turning to the recent Russian oil supply problems in the Czech Republic, Piebalgs said the Russians had sent a letter to the Czech's proposing that the Czech government start purchasing Russian oil directly, bypassing the traders. Piebalgs finds this strange, as he believes the supply "problems" were politically motivated - traders make money by shipping oil, not by disrupting supplies. Similarly, Piebalgs described the TNK-BP situation as ridiculous and nothing more than an expression of British-Russian security relations. Piebalgs sees this episode as evidence there is currently a power vacuum in Russia.

#### Energy Efficiency, Biofuels, and Energy Research

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¶6. (SBU) Speaking on energy efficiency, Piebalgs mentioned the EU initiative for external power supplier (phone chargers, etc.) performance criteria. He acknowledged that the U.S. has the lead in this field and that his goal is to get the EU up to U.S. standards within one year after the proposal is adopted. In two years, the goal would be to move beyond the U.S. standard. Part of this proposal would involve implementing a mandatory Energy Star program, rather than a voluntary one. Piebalgs emphasized that his philosophy is that if similar standards are developed in the U.S. and the EU, they should be compatible and along the same lines. He pointed to cars as one of those areas where there is a divergence in standards with the U.S. using miles per gallon and the EU using grams of CO2 per kilometer. He pointed to biofuels as an area where both sides of the ocean are working well together to develop standards. He said that the EU biofuels program has survived the public outcry phase and will go forward because biofuels address both climate change and energy security.

¶7. (SBU) Piebalgs lamented the fact that the EU and the U.S. have not had better cooperation in energy research and

development, using the example of an EU Commission proposal for cooperation on a bio-refinery to which the US, in his words, did not respond. He also thinks the U.S. and the EU could do more together on research for second generation biofuels. Piebalgs believes demonstration projects for second generation biofuels are needed quickly, but so far everyone seems to be competing and not cooperating. Lack of cooperation is not just an EU/U.S. problem, Piebalgs pointed to Sweden, which has three demonstration projects underway all of which he believes will fail because they are not cooperating. He feels the key going forward will be to find a balance between cooperation and competition.

#### Strategic Energy Review

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18. (SBU) Looking ahead to autumn, Piebalgs indicated he would be devoting much of his time to the EU's Strategic Energy Review. The difficult question for him will be what the EU should announce, especially regarding the balance between member state competencies and EU competencies. In his mind, there is really only one national competence left - the decision for or against the use of nuclear energy. He acknowledged, however, that the member states would disagree. As such, he will be looking for a proposal that goes far enough to be valuable but doesn't go too far in antagonizing the member states.

19. (SBU) Comment. The EU's negotiations with Turkey on gas transit seemed to have taken a turn for the worse with political issues seemingly outweighing commercial issues. Piebalgs's comments on South Stream are surprising, especially in the face of recent press reports citing ratification of South Stream by Bulgaria's Parliament. (Ref. B) End Comment.

Silverberg.

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